

THE MISSOURI CHALLENGE

MAKING MISSOURI WORK

POLICY REPORT OF
JOBS FOR MISSOURI'S FUTURE
JANUARY 1991

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Policy Report of Jobs for Missouri's Future



January 1991

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The material in this project was partially prepared under Grant No. 99-9-3485-98-009-02 from the Employment and Training Administration, U.S. Department of Labor, under the authority of the Job Training Partnership Act (JTPA). Grantees undertaking such projects under Government sponsorship are encouraged to express freely their professional judgment. Therefore, points of view or opinions stated in this document do not necessarily represent the official position or policy of the Department of Labor.

Jobs for Missouri's Future program is sponsored by the State of Missouri, the U.S. Department of Labor, and grants from private sector sponsors in the State of Missouri.

Dear Fellow Missourian:

"If Missouri is to compete in a new knowledge-based and skill-based international economy, it needs a world-class workforce. The challenge to firms, workers, state and community leadership is clear: build better jobs by building better skills."

That statement represents both the beginning and the conclusion to *The Missouri Challenge*, the policy report issued by Jobs for Missouri's Future. Governor Ashcroft appointed our twelve member advisory board in 1989 to develop a long-term strategy to improve Missouri's economic prospects by improving the state's workforce preparation system.

To aid our efforts, we held regional congresses across the state, involving hundreds of business and community leaders. We surveyed more than 8,000 Missouri employers and hundreds of Missouri workers. We conducted group discussions with Missouri citizens, and we met with a wide range of community, business and labor leaders.

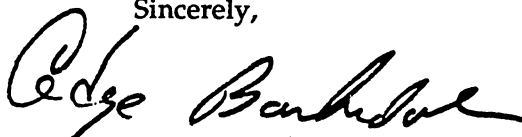
The Missouri Challenge analyzes our current competitive posture in a new and quickly changing economic landscape. We candidly assess the problems and promise for Missouri businesses, workers and government to compete in a world where the 'thinking' part of our jobs is the coin of the realm in a new economic order. We offer a vision for a bright future based on better skills for all. We suggest several concrete initiatives to achieve this vision. Our action plan challenges all Missourians to:

- build businesses with a 'high-performance' operating profile throughout Missouri industry--a work style that demands more of people and makes the highest use of new technologies to develop products and services;
- expand the constituency for lifelong skill development to close existing skill gaps in the workforce and establish a culture that supports continuous learning; and
- create a market-driven workforce preparation system that has clear goals for its users and provides accountability to its customers.

Our work is to carry these messages across the state--to the boardroom, the shop floor, our communities, and into the halls of government. We all have responsibilities to meet *The Missouri Challenge*. None of us can hide from the global economic realities that are creating such tremendous change in the lives of Missouri businesses and families across the state.

The Jobs for Missouri's Future Advisory Board, which I have had the privilege to chair, will be meeting, speaking, and visiting with Missourians to promote the changes outlined in our report. We will be urging new ways to shape a strong economic future for all Missourians. We welcome you to join in this important effort.

Sincerely,



Clarence C. Barksdale

Chair, Jobs for Missouri's Future Advisory Board

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THE MISSOURI CHALLENGE

Executive Summary

Missouri's workers and employers each see a different piece of a larger puzzle that is Missouri's changing place in the global economy. It is clear that many workers experienced economic dislocation, as jobs we came to rely on disappeared overnight because someone else could do it cheaper. It is equally true that many employers face urgent workforce needs as they struggle to be competitive in a marketplace that requires, as never before, high quality, flexibility, and innovation. Missouri cannot and does not want to regain the jobs that rely only on low-wage, low skill labor—those jobs don't pay enough, given global competition, to support a family. Missouri *does* want to create and attract jobs that depend on high-skill, high wage labor. These jobs *can* support a career, a family, and a community.

If Missouri is to compete in a new knowledge-based and skill-based international economy, it needs a world-class workforce. The challenge to firms, workers, state and community leadership is clear: build better jobs by building better skills.

One way to think about this challenge is as follows: jobs that rely on high skills will be the jobs that pay a decent wage in the world economy of the future. These jobs will go where the people with the skills are—whether it be Japan, Germany, North Carolina, or California. *If Missouri wants these high-paying jobs, it must prepare its citizens for them.*

Virtually every job will be affected to some degree by new technologies, new ways of organizing and managing work, or new ways of serving customers. Every Missourian must think about how he or she will relate to a life of continuous change.

The challenge to Missouri firms, workers, state and community leaders, is to build the foundation that will develop a high performance economy—an economy that depends on high skills and produces goods and services that earn a good return in the world marketplace. In this context, the job growth in the retirement industry, health, and tourism-related fields in much of Missouri is helpful but not by itself enough. Missouri must focus on higher-valued exportables, goods and services that are shipped to or performed for people in other states and other countries. This strategy is the best way to continue a growing standard of living, as dollars from state 'exports' flow into Missouri.

Missouri needs the contribution of all its citizens if it is to prosper. The state must make special efforts to ensure that the economically-disadvantaged and those who have fallen behind in the economy for any number of other reasons have equal access to learning programs that bring them back into the system.

Meeting the Missouri Challenge: The Jobs for Missouri's Future Action Plan

The Jobs for Missouri's Future action plan is a set of complementary initiatives designed to meet the objectives outlined in *The Missouri Challenge*.

First, Missouri's employers must be encouraged to adopt a high performance profile—combining the latest production technologies with new styles of work organization that demand higher skills on the part of workers.

Second, both the public and private sectors must **work harder to close the skill gaps that currently exist in the Missouri workforce**. These gaps will only widen as more firms get competitive. Policymakers, educators and corporate managers must pay increased attention to the learning and training needs of individual workers as more is expected of them in firms with a high-productivity profile.

Third, Missouri communities must **respond to the challenges of economic transition** in new and different ways. Citizens and workers must develop a far greater appreciation for continuous learning and skill improvement. A stronger education ethic must emerge—an ethic carried by school children and adult workers alike—that will demand more from leadership in both the public and private arenas.

Finally, and most importantly, **a workforce preparation system must be built to prepare all Missouri citizens for a lifetime of learning and re-learning, on and off the job**. The system must be responsive to the needs of students, workers, and employers, and accountable to the taxpayers and firms who support it.

The recommendations identified here follow this new path toward Missouri's future economic security.

1. Goal: Develop a 'high performance' economy by expanding private sector involvement in workforce development.

Recommendation: Missouri's private sector must take action to promote wider involvement of firms in workforce preparation and to help move industry on a faster pace toward a high-performance economy. Missouri companies can make better choices about training, and:

- integrate human resource development into their institutional culture;
- inform employees about changes in the organization that will have skill implications for the workforce; and,
- take the lead in coordinating the provision of literacy training to those employees who need it.

Recommendation: Meet the workforce needs of Missouri's small and medium-sized firms that are the key to economic growth and job creation.

- Missouri can evaluate available small business loan programs to ensure that loan proceeds can be used to fund work training costs as well as capital investments;
- encourage the development of internal training systems within small businesses by providing matching grants and no cost loans to establish or expand trade associations;
- promote the expanded use of technology by small firms through developing flexible manufacturing networks and shared computer integrated manufacturing facilities; and,
- use large firms to promote training along supplier networks.

2. Goal: Expand the Constituency for Lifelong Learning & Meet the Emerging Skill Gaps Among Missouri Workers

Recommendation: Communicate the message to all Missourians of the connection between education and economic security.

Recommendation: Increase the skills capacity of the existing adult workforce.

Missouri should:

- establish an expanded job development fund that would be used to encourage greater amounts of training by Missouri firms;
- provide corporations with a credit on their annual state income tax liability for qualified training investments;
- develop a statewide technical assistance capacity to promote productivity improvement programs;
- refocus Missouri's 'second chance' training systems to be more responsive to the workplace needs of businesses;
- build a regional capacity for workforce skills training;
- implement a series of employer-based regional training coordinators; and
- use the Job Training Coordinating Council as a statewide workplace education and training panel to establish policy over all of Missouri's publicly-funded workplace based programs.

Recommendation: Develop an integrated work-related learning system for young adults—through a Missouri Youth Initiative. Jobs for Missouri's Future recommends that Missouri establish a Missouri Youth Initiative:

- a statewide, community-based system that formally links school with work in a way that would change the way young Missourians think about preparing for careers.
- the centerpoint of the youth initiative is a highly-structured program of on-the-job training supplemented by part-time attendance at a school-based or academic learning center.

3. Goal: Create A Market-Driven Workforce Preparation System

Recommendation: Create a Performance-based Workforce Preparation System.

Establishing a performance-based workforce preparation system means creating a measuring rod that is useful in judging the outcomes of publicly-funded education and training programs. A performance measure for workforce preparation will:

- clearly communicate that graduates of publicly-supported workforce preparation programs from high school to customized training have achieved some **definable measure of success**, and provide a common way of assessing their achievements;
- tell employers and potential students **which of the many different workforce preparation programs actually deliver on their promises**; and
- **push a diverse group of public institutions and programs toward a common goal** and develop a means for achieving that goal.

Recommendation: Establish an administrative organization that assures the training system is market-driven and more responsive to employer needs. A central forum must be developed to establish and coordinate overall state training and employment policy, to establish common performance standards and reporting requirements among the state agencies, to review labor market trends in Missouri, and to review overall program per-

formance in order to provide advice and direction to state administrators responsible for program administration. To create this forum, Missouri should:

- **Recast the Missouri Job Training Coordinating Council as a 'human resource investment board'.** The Council should oversee Missouri's job training, work-related education, and employment system—in order to establish state policy, develop common performance standards and reporting requirements among the various programs, and conduct comprehensive program reviews.
- **Create a unified system for case management at the local level for job training and referral.** Achieve a unified client delivery and management system that has common geographic boundaries, common planning cycles, and an integrated planning process among all state agencies involved in the delivery of training, education, and employment services. Develop a computer network linking the employment service, community colleges, vocational-technical schools, JTPA agencies and other training providers—as a system that provides comprehensive information on all education and training opportunities available in a particular area (costs, duration, occupation, potential earnings), and job vacancy information (occupation, starting salary, benefits).

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If Missouri is to compete in a new knowledge-based and skill-based international economy, it needs a world-class workforce. The challenge to firms, workers, state and community leadership is clear: build better jobs by building better skills.

Firms in third-world countries, where production depends almost entirely on low wages, can make low value-added, mass produced goods cheaper than Missouri. What they *cannot* do, and what Missouri *must* do, is make high quality and more specialized goods and services—actions that depend on higher skills of workers. Missouri can succeed economically by creating a workforce preparation system that supports high performance firms in globally competitive manufacturing and service industries.

Missouri faces an additional burden. More than most other states, in the years ahead Missouri has to do more—with fewer people—if Missouri is to keep the kind of special life we have come to expect in the Show-Me State. Our population is growing older faster than almost any other state in the nation. This factor has many implications. It means that the workforce for tomorrow consists of people who are in the workforce today. It means that the fate of Missouri's economic future lies in the hands of the men and women who are already on the job today. But it also means that *every* new worker is a precious commodity, whose talent and skill must be encouraged and never wasted.

The time to act is now. As the *Wall Street Journal* recently reported, "many workforce dilemmas predicted for the year 2000 are already here—and most businesses are coping poorly." In Missouri, shortages of skilled workers already exist in key occupations, and the performance and the transformation of the education and training system must keep pace with the complex skill needs of Missouri firms.

But encouraging firms to act now to create high performance work organizations is only half of the equation. Missouri's workers of today and tomorrow must be persuaded that reaching for higher skills is possible and will be rewarded by better job opportunities.

Missouri offers many amenities, including a rich quality of life and strong close-knit communities in which to raise a family. Historically, a diverse economy always provided good job opportunities. But today, however, Missouri can't take these things for granted, and must work hard—every individual in every community—to realize the rewards of a better, more secure future economy.

Missouri: An Economic Crossroads

Missouri has always been the crossroads of America. The Farm Belt meets the hills of the Ozarks, the industrial Midwest meets the sparsely settled plains states. And for generations Missouri has benefited from being an economic as well as geographic crossroads. Large scale manufacturing firms, family farms, banking, finance, and health care industries, retirement communities, and world class universities all have their place in Missouri's varied landscape—and Missourians have long enjoyed a good standard of living and strong families and communities because of it.

As a diverse state, both economically and politically, the tug and pull of divergent economic forces have shaped the way Missourians view the world. Kansas City and St. Louis can seem worlds apart—as different as the rich farmland running north to Iowa is from the Ozarks, or the flat bottomland of the Mississippi Delta is from the high rises and office parks of Kansas City and St. Louis. In each Missouri community we still feel 'separate' from other parts of the state. Yet, in talking with

Missourians across the state, it is clear that we really value the same things. We place special pride on a high quality of life, our friendliness, work ethic, and strong family values.

Despite our geographic separation, the time has come for all Missourians to act in concert. Although we still think of ourselves as separate and distinct from other parts of Missouri, all parts of the state are facing tremendous pressure from economic transition—change that is creating uncertainty and pain as friends and neighbors confront new job requirements as well as the possibility of unemployment through layoff or obsolescence. And good job opportunities for our youth seem vague and unreachable. At the same time economic change is providing only limited new opportunities in 'new-tech' manufacturing and high-value service industries.

By acting now to anticipate the opportunities this changing economic landscape presents, and by pledging ourselves to building a world-class Missouri workforce in every corner of the state, we can master our economic future and provide a growing standard of living for ourselves and our children.

Driven by massive technological change and the relatively sudden impact of international market competition in the 1970s and 1980s, Missouri's economy has undergone a series of adjustments. The manufacturing sector, once the chief employer of Missouri workers, now has lost that role to services. Professional and business services in particular have grown tremendously in recent years. While manufacturing output increased, manufacturing employment dropped from 21 percent of total wage and salary employment to 15 percent over the past two decades. And manufacturing jobs still generate close to 17 percent of all income in the state, while they used to provide about 24 percent of total personal income. And while 300,000 more people are employed today in service jobs than in manufacturing, service jobs don't produce as big a portion of Missouri's total income.

Job losses have occurred in industries that were once at the heart of our state's economy—especially industries that are the most susceptible to lower-wage competition from abroad: leather goods, apparel and textiles, and to a lesser extent, automobile and other mass production industries. Meanwhile, higher value-added industries like printing, publishing and electrical equipment have grown. And while the farm economy has had obvious ups and downs over the past years, total agriculture and agricultural-related employment have actually increased.

These economic forces play themselves out in different ways in different parts of Missouri. Joplin, Springfield, and the central Ozarks are experiencing steady job growth, fueled by retirement and the recreation industry as well as some traditional manufacturing. Yet, according to the Bureau of Economic Analysis, both cities rank near the bottom among all metropolitan areas in the country in terms of personal income. Kansas City and St. Louis are losing manufacturing employment but are gaining higher-end service jobs in banking, legal services, health services, and other sectors where Missouri's position as a regional commercial center are important. Northern Missouri continues to suffer outmigration as a result of the farm economy woes that peaked in the mid-1980s.

During these years of transition, some occupations have experienced rapid gains while others have fallen prey to new and intense competition. Again, these changes play themselves out differently and on a very personal level in every Missouri community. In Kansas City, for example, 1,800 jobs making motor vehicles and parts were traded for 2,300 jobs in telecommunications between 1984 to 1987. Over the same period in the Central Ozarks, 600 boat-builders replaced 600 footwear makers. In Southeastern Missouri communities, 400 new jobs in nursing and personal care emerged while 300 jobs making men's clothes disappeared during the same period. These are just a few of the examples of the dramatic changes occurring all over Missouri.

But these statistics don't begin to tell the full story. They mask a qualitative shift in the nature of many jobs. Metalworking used to be a manual trade. Today it is as likely to require familiarity with programming computer-controlled equipment. Truck drivers in Missouri must pass a basic reading test to get a license today. Fast-food workers are being asked to handle cash-flow, invento-

ries, and a variety of additional tasks. All in all, the nature of occupations is changing so that even some occupations that might sound low-skill really require higher skills.

Even while these changes are occurring in many companies, affecting many occupations, business firms in Missouri still lag behind others in the nation in developing a 'high-skill' work environment. Missouri far exceeds the nation in jobs where individuals work alone and rely on physical skills such as hand-eye coordination in assembly or moving goods around. This observation is one piece of evidence suggesting a continued predominance of assembly-line type occupations and a reliance on low-skilled labor among Missouri companies.

The simplest measure of the need for higher skills in Missouri is to compare the education level of Missouri's citizens with projections of the educational prerequisites for jobs that will be created in the next few years. Figure One shows this challenge.

One way to think about this challenge is as follows: jobs that rely on high skills will be the jobs that pay a decent wage in the world economy of the future. Engineers, computer-designers, financial analysts, operators of CNC machinery, skilled medical technicians, and skilled craft workers will be sought after by competitive companies. These jobs will go to where the people with the skills are—whether it be Japan, West Germany, North Carolina, or California. *If Missouri wants these jobs, it must invest in its people and prepare them for higher-skilled jobs.*

Another way to think about the challenge is that virtually every job will be affected to some degree by new technologies, new ways of organizing and managing work, or new ways of serving customers. Every Missourian must think about how he or she will relate to a life of continuous change.

It is clear that higher skill levels are key ingredients, if not *the* key ingredients, in *creating* new jobs. Studies of jobs in America find that the top factor affecting job growth is the human factor—the level of human resource capability. *Better educated people create jobs.* This simple fact isn't too surprising. After all, inventors and entrepreneurs don't spring up magically.

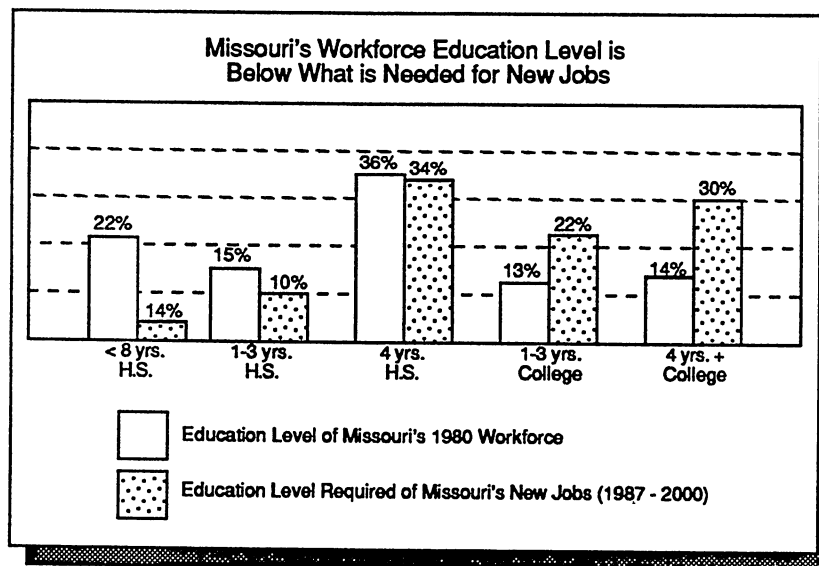


Figure One

An educated culture supports adaptability and promotes more learning, tinkering, and discovery. For example, it is estimated that graduates and former faculty of the Massachusetts Institute of Technology have created firms that employ over 300,000 people in Massachusetts alone.

There aren't many MITs in the world, but people who search, learn, and improve themselves are more likely to build a better mousetrap and put people to work. And an entrepreneur builds a business by getting other smart, capable people to run it. A business grows and expands because people work smarter—and so it goes.

Moving Ahead: Where to Begin?

Preparing for a higher-skilled future sounds straightforward enough. But do we really believe in it? Why do we as Missourians think we need to move ahead and secure a brighter economic future?

Jobs for Missouri's Future began its work by talking to Missourians from all walks of life—from corporate boardrooms to the assembly line. In focus groups, regional 'congresses', field interviews, and surveys we asked Missourians: what do *you* think is going on in the Missouri economy and what needs to be done about it? What we learned provides an essential starting point, a common frame of reference and language for discussing the steps we need to take to move forward.

- Missourians are aware of some of the global economic changes that are transforming today's economy, but are unsure what to make of them. We know, at least, that our children will need to get more education and better skills to keep the jobs and the lifestyle we value so highly in Missouri today.
- We are generally optimistic about the economic future of Missouri, and dedicated to doing well for ourselves and our employers. But 92 percent of Missouri workers believe that jobs today require a lot more training and education than they did just a few years ago, and *35 percent of workers think they need more training just to keep their current jobs.*
- Missourians see economic changes in very personal terms, and are concerned about how they and their communities can and should respond. Greater emphasis on technology and technical skills is causing job anxiety at the workplace. As one woman from Sedalia told us: "Five years ago I supervised six women who did everything. Now I'm on a computer system and I only need three of them. What am I going to do with the other three?"

As a result of the changes taking place around them, Missourians across the state are feeling less secure. Many workers believe they are unprepared for changes in the economy and in work that may require greater knowledge, or learn how to do things differently. Despite a general awareness that we are unprepared, many Missourians say they are unlikely to do anything about these changes until they are directly affected by them. As one woman from St. Louis put it, "Most people don't accept that their own job is changing—they only accept it when they have to."

As a whole, we aren't yet willing to really act to improve our skills. We only worry a little about our own job (only 22 percent of Missouri workers worried about being laid-off), but say we would like help in making sure we stay on top of the job (63 percent of us would welcome the opportunity for additional job-related training in the future). But generally we are content. Some would say we are complacent even about our own future.

Missourians really only begin to feel uneasy when we think about their children's economic future. As a man from Kirksville told the group: "I'm more concerned about my kids' economic future, than my own—I know I'll weather the storm, but I don't know about my kids. Things are going to be a lot tougher for them."

Part of this concern has to do with particular weaknesses Missourians reported in the education and preparation of our children—kids don't have realistic expectations about jobs, they don't have a strong work ethic, and the schools just aren't preparing them well enough for the workforce.

But much of this concern is the nagging worry that what has happened to many of our peers could also happen to our children. Missourians see a world where friends and people we know are working below their skill levels—at jobs that aren't as good or pay as much as ones that seemed to

be around several years ago. And we worry that the Missouri of tomorrow won't resemble the Missouri of today.

When we talk to employers, however, we get a different story. Employers say that they can't find enough skilled help right now. That they can't find qualified personnel to fill key occupations. That their movement to a high performance work environment is slowed down by a lack of educated and trained people. Firms JMF surveyed and interviewed had several concerns in common:

- *There is a skills 'mismatch':* According to the JMF employer survey, labor quality is the number one concern. And firms' personnel needs don't match the availability in the labor market. Over 60 percent of firms surveyed had trouble in finding skilled craft workers, technicians, and professionals.
- *Employees need 'new' basic skills:* Companies gave the lowest grades to all employees (regardless of occupational level) in the areas of communication, setting and meeting priorities, group effectiveness, problem-solving, and leadership, and they placed the highest priority on developing these skills.
- *New workers aren't 'job-ready':* Employers also say young people and entry-level workers aren't prepared with basic skills, lack motivation and work ethic, and often aren't interested in jobs that are available, particularly in blue-collar occupations, many of which pay good money.

So what is going on here? Employers would have us believe there are plenty of good jobs without people to fill them. Missouri workers and citizens on the other hand see an economy where good job opportunities are harder to find. At a deeper level, Missourians are skeptical about the need for better education or job training when there aren't jobs out there to which a worker can apply that learning.

As we attempt to move forward together, we face a dilemma. How can we move ahead when we get mixed signals and draw different lessons from the changing economy around us?

Squaring the Circle: Moving to a High Performance Economy

Missouri's workers and employers each see a piece of a larger puzzle that is Missouri's changing place in the global economy. It is clear that many workers experienced economic dislocation, as jobs we came to rely on disappeared overnight because someone in Mexico or Singapore could do it cheaper. It is equally true that many employers face urgent workforce needs as they struggle to be competitive in a marketplace that requires, as never before, high quality, flexibility, and innovation. Missouri can't and doesn't want to regain the jobs that rely only on low-wage, low skill labor—those jobs don't pay enough, given global competition, to support a family. Missouri *does* want to create and attract jobs that depend on high-skill, high wage labor. These jobs *can* support a career, a family, and a community.

The challenge to Missouri firms, workers, state and community leaders, is to build the foundation that will develop a high performance economy—an economy that depends on high skills and produces goods and services that earn a good return in the world marketplace. In this context, the job growth in the retirement industry, health, and tourism-related fields in much of Missouri is helpful but not by itself enough. Missouri must focus on higher-valued exportables, goods and services that are shipped to or performed for people in other states and other countries. This strategy is the best way to continue a growing standard of living, as dollars from state 'exports' flow into Missouri.

All of us have a part to play in this effort.

The Challenge to Firms

When Missouri employers complain about poorly prepared workers, they present only one half of the story. The other half is that not many of them are acting to meet the workforce challenges they themselves identify. Some firms in Missouri *are* investing in their workers and creating new work environments built on high paying, high-skill jobs. But even more Missouri firms aren't. The National Center on Education and the Economy, in their recently released report *High Skills or Low Wages*, describes the nature of the transformation taking place on a global basis:

High performance work organizations are replacing mass production in the world's best companies. The guiding principle is to reduce bureaucracy by giving autonomy to front-line workers. Workers are asked to use judgment and make decisions rather than follow, by rote, cumbersome procedures spelled out in detail. Management layers are disappearing as front-line workers take over many of the tasks—from quality control to production scheduling—that others used to do. Work organizations like this require large investments in training. Workers' pay levels often rise to reflect their greater qualifications and responsibilities. But the productivity and quality gains more than offset the costs to the company of higher wages and skills development. Despite these advantages 95 percent of United States companies still cling to old forms of work organization.

Do 95 percent of Missouri firms still shy away from competitive transformation? We can't say with precision, but JMF's discussions with Missouri employers over the past year suggest that relatively few Missouri firms have developed the 'high performance' style that combines high technology, changes in work organization, and high-value added production across the workforce. We also looked at the symptoms of an economy that depends on traditional production:

- *Faced with a skills shortage, Missouri firms do not train their own workers.* While 74 percent of firms in Missouri we surveyed said training is an excellent investment, the majority of firms spend less than \$5,000 annually on education and training of their own workers.
- *Lacking skilled workers, Missouri firms don't develop them in-house.* Employers complained about the difficulty of finding qualified workers to fill key positions. Yet they rarely look inside the firm and invest in workers who are already on-line. Only in filling managerial posts did the majority of Missouri firms promote from within the firm most of the time.
- *Missouri companies neglect to train in the skills about which they complain most.* Employers in Missouri believed worker skill deficiencies were greatest in skills like communication, problem-solving, setting and meeting priorities, yet the training Missouri firms provide revolve almost exclusively around job specific skills. New basic skills, as well as traditional areas like reading and math, and training in the use of new technologies were less often the focus of training investments, even though these were the areas firms themselves felt were deficient.
- *Missouri firms neglect front-line workers.* While semi-skilled workers (operators, fabricators, and laborers) were viewed to have the greatest skill deficiencies, they received the least training, and in many cases none at all. Firms overwhelmingly spend time and resources training managers and professionals versus line staff.
- *Companies don't like high training costs, but don't use already available 'public' resources.* Firms are concerned about the cost of education and training, but by a large margin prefer private training providers over public ones.
- *Despite some general awareness of a labor shortage that will likely develop by the year 2000, very few firms have taken active steps to ready themselves for a labor short environment.* The demographic evidence is undeniable across America. In the next five to eight years the size of the American workforce will begin to shrink. What is currently a skills gap will soon be a people gap as well. Yet our work with Missouri employers indicates that the

few firms that are aware of this developing issue have not developed any internal strategic response to cope with it.

Nevertheless, there are many bright stars in the constellation of Missouri companies that can be examples to other firms. One such firm is Kelsey-Hayes (K-H), a branch-plant maker of steel auto wheels in Sedalia. K-H faces stiff competition from U.S. and foreign auto suppliers, and has had to develop new production and training methods to compete. The plant operates on a team-work concept, replacing top-down management with 'side-to-side quality circles'. K-H only promotes from within for high-skill positions. Roughly 5 to 10 percent of an average K-H employee's time is spent in formal training, mostly through training videos. The firm views this type of education as a normal cost of doing business. K-H also took advantage of state training funds when they became available in 1978, and worked with State Fair Community College on basic skills training for manufacturing. Since then they have paid for their own training. In sum, a significant investment of state dollars followed by continuing investment by K-H has led to a competitive and stable firm providing hundreds of jobs.

The Challenge to Workers

One piece of the challenge of building a high performance economy is to encourage more firms to adopt the strategy like Kelsey-Hayes. An equally fundamental ingredient is to prepare the workers who arrive at Kelsey-Hayes and every Missouri firm to be ready for a fast-moving environment and to be willing to update skills continuously.

Employers aren't the only ones whose rhetoric does not match reality—workers also say they want better skills, yet aren't able or willing to do much about it. On the one hand, Missouri workers generally acknowledge that the world is changing, and that better preparation is needed for jobs. We would expect a workforce ready and eager to embrace new learning opportunities. Yet when it gets right down to it, workers are ambivalent about getting additional training, and aren't able or willing to stretch too much to obtain it:

- A large majority of workers (67 percent) believed their employer already provides more than enough training for employees to do their job well.
- Significant numbers (51 percent) said they would only attend training if their employer required them to do so.
- 49 percent of all workers in Missouri said they were happy to attend training, but only as long as it occurred on company time, not theirs.

In addition to these attitudinal barriers, workers perceive significant obstacles to their participation in training opportunities. A majority said training was not offered at a convenient time or place, half said training costs too much, 40 percent said good training programs are not available, and roughly 35 percent had no time or energy for the endeavor. Women, who have constituted the bulk of new workers in recent years, face even greater obstacles than men. Together these figures suggest employees won't respond to training opportunities without much stronger motivation, and employers meeting them more than halfway on time and cost.

But perhaps a deeper, more fundamental challenge exists in the mindset that so many of us as citizens of Missouri communities carry with us. For years it wasn't necessary in Missouri to get a college education or to take refresher courses in order to get and keep a good job. In community after community we heard people say: "The attitude of people here is, 'who needs education?'"

This mindset is a legacy of Missouri's many economic blessings over the years. It was possible for most of the state's recent history to go right from high school to the factory or farm and make a decent living. Those days are gone forever, but the legacy of this attitude still handicaps Missouri's attempts to move forward.

Many communities are beginning to change this mindset. A good example is the community of St. Joseph. Working together, the United Way, local businesses, and the school system are implementing a community plan to increase dramatically the incentives for young people to stay in school, and for adults to increase their basic skills. Central to the plan is persuading local businesses to say: "We don't hire without a high school diploma", while the local school system gears up additional adult education sites to meet the increased demand for high school equivalency programs. They call their program 'PIE' (Public Investment in Education). It was developed in response to St. Joseph's 26 percent dropout rate and the fact that 36 percent of area adults had not finished high school.

A community initiative such as PIE is one way to change attitudes towards education among young and older workers alike. Making it work will be tough. Achieving the goal of lifelong learning is not an easy task for any community or individual. We are all busy, work hard, and have family responsibilities which make it hard to seek out additional education and training. But a willingness to go the extra mile and improve our skills will be rewarded by greater opportunities in the job market of the future.

The Challenge to State and Community Leadership

Missouri has done much to anticipate and address basic human investment and workforce preparation needs that will affect the economic bottom line in the future. Missouri has been a pioneer in early childhood education, is expanding health services for young and old, and is continuously innovating in both traditional and vocational education. Today's close scrutiny of Missouri's system of higher education by such groups as the Business and Education Partnership Commission should yield institutions better equipped than ever before to meet the educational challenges ahead. And communities around Missouri are beginning to understand the need to address challenges in education, literacy, health and other workforce issues.

Missouri must extend and accelerate these innovations and initiatives—identifying, then getting behind the top priorities in workforce preparation at both the state and local level. The challenge to state and community leadership in this effort is to view the big picture and identify the priorities—to figure out at both the state level and within our own communities the most important steps necessary to prepare people for a high performance economy. A persistent and important theme of JMF's regional meetings was that government, business, and community leadership must work together in new and different ways—communicating and planning better, then marshalling the resources at hand to prepare students and workers for productive careers.

Missouri needs the contribution of all its citizens if it is to prosper economically. The state must make special efforts to ensure that the economically-disadvantaged and those who have fallen behind in the economy for any number of other reasons have equal access to learning programs that bring them back into the system. Efforts must be made not just to reach those who have already suffered because of their limited education and training, but also those who are at-risk of falling behind. The principles of early intervention and individual-centered outreach must be incorporated into efforts to help these groups. Why a special effort for the disadvantaged?

- Not all residents of Missouri have the same resources and ability to take advantage of the broadened range of educational and learning options that are increasingly necessary for full participation as citizens and workers.
- Missouri's future depends upon the incorporation and advancement of *all* its residents.
- The state cannot afford to have the educationally-disadvantaged and economically-disadvantaged, at-risk, members of the population fall behind and drop out of the learning system at an early age. The social, economic and political costs of a two-tiered society will be too costly.

Identifying Priorities

Jobs for Missouri's Future is engaged in identifying the top priorities for workforce preparation at a state level. We hope that the same process can be developed by community leaders at the local and regional level.

To accomplish this task we first must look at the Missouri workforce as a whole. The contours of Missouri's population and workforce are changing. Some of the changes are obvious, some startling. Understanding who we are now, and from where the workers of today and tomorrow will come, will help us identify the most important investments needed in our human capital.

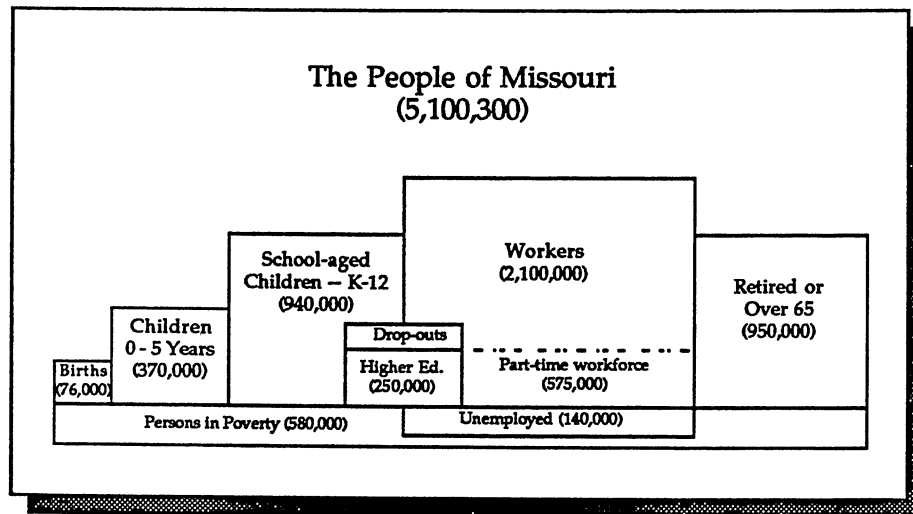


Figure Two

The 'map' in Figure Two gives us a snapshot of Missouri's 5.1 million people. It hints at where Missouri as a state is succeeding—how many of our workers and potential workers are employed or in school. It also shows us how much work we have to do to lift more Missouri citizens out of poverty, to educate and train the *current* workforce, and to help young people enter the job market ready and eager to go to work in more demanding environment.

What this snapshot doesn't show us is how the Missouri population has been changing. Changes in the demographics and character of Missouri's workforce will determine where Missouri must place its priorities in workforce preparation. There are several obvious challenges to Missouri's ability to build a competitive workforce:

- **Priority Issue: Tomorrow's workers are today's workers.** While continuing to develop educated, skilled new workers is essential, we cannot ignore the fact that an overwhelming majority of Missouri's workforce consists of workers who are adult already at work today. The pool of young people who will continue to enter the labor force is shrinking. As illustrated in Figure Three, almost 80 percent of Missouri's workforce for the year 2000 is already 'on the job', and the Missouri workforce is aging rapidly. The number of workers between the ages of 45 and 55 years will increase more than 60 percent by the year 2000, which puts Missouri well beyond other states in the proportion of future workers already at work. A shrinking pool of young workers and a rapidly expanding pool of middle-aged workers on the job will challenge Missouri's workforce preparation system. **Goal:**

Missouri must focus its workforce preparation efforts on upgrading the skills of our current workforce.

- **Priority Issues** Almost 1/5 of Missouri's population (940,000 people) is over 60 and workers near retirement (aged 55-64) will increase almost 50 percent by the year 2000. *Goal: We must work hard to ensure our senior population has opportunities to contribute to society, work if they want to, and otherwise live in comfort and dignity.*
- **Priority Issue: New workers aren't skilled.** One-quarter of our teenagers still drop out of school. The dangerous result for Missouri is that the number of low-skill workers is

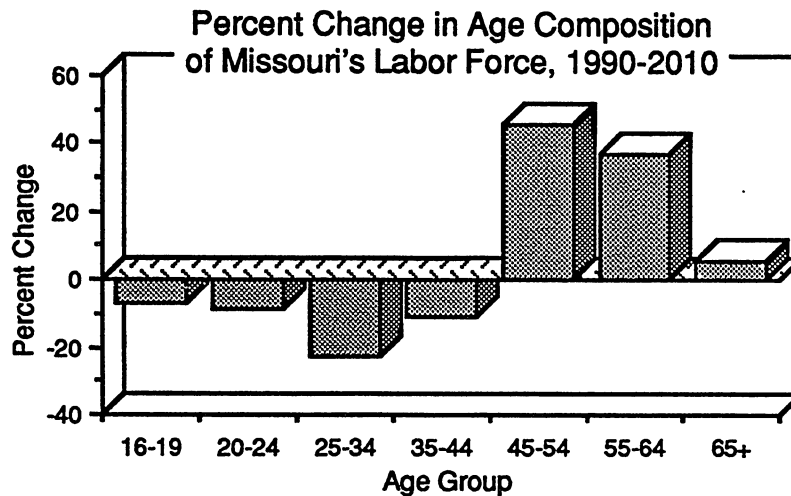


Figure Three

increasing while high skill jobs go begging. Of those young people that do graduate, from high school, only 49 percent go on to higher education. And 3 out of every 5 college freshmen will never complete a higher education degree. *Goal: We must educate and connect the precious number of young, future workers with the workplaces of tomorrow.*

- **Priority Issue: Missouri's workforce is growing more diverse by gender and race.** While white males make up 40 percent of the workforce today, they will contribute only 17 percent of new workers in the years ahead. The numbers of women, by choice and by economic necessity, who are participating in the workforce is growing fast. The proportion of women in the Missouri workforce lags slightly behind the U.S. average, but is catching up. Today's estimates are that 49 percent of Missouri women are working versus 54 percent of women nationally. National data reveals that the earnings of men have remained constant in recent years, while women's earnings have increased 20 percent. JMF data shows that the percentage of women entering the Missouri workforce will be greater than that of men in almost every age group and every region of the state over the next 20 years. Today minorities constitute 12 percent of Missouri's population. But these individuals are still disproportionately represented in unskilled occupations. The minority unemployment and poverty rates are roughly twice that for Missouri as a whole. *Goal: Make sure women and minorities are prepared with the skills to participate in a high performance work environment.*

Meeting Priorities: The Workforce Preparation System

Missouri has many institutions and resources that together constitute its workforce preparation system. This system has grown up over the years through the creation of functional agencies, institutions and programs in response to a variety of different needs. Today we must examine that system in light of how it is equipped to move quickly and effectively in meeting the current workforce preparation challenges in Missouri.

For the most part, Missouri's state education and training systems, designed to work best in a different economic era, are not yet equipped to prepare workers for a high-skill economy. Integrating education and training policies into a single workforce preparation system that links learning with the economic goal of creating high performance workplaces is today a primary challenge of state and community leadership. In the area of workforce development, states around the country are looking to implement broad initiatives and systemic change; change that will engage a wider segment of both the current and future workforce in skill enhancement, as well as transform the system of schooling and job training to be more responsive to the new demands of firms.

Another common theme of JMF's regional congresses was that the 'right hand did not know what the left hand was doing' when it came to workforce preparation agencies and programs at the local level—the 'system' was misfiring. As a plant manager in Joplin put it:

Finding the right training source is haphazard. When I have a training need I call the SMSU Business Research Center, the vocational school director, the University extension school director, or a buddy at another firm—and I get at least two calls a week from other companies wanting to know where to go.

Missouri's employers, workers, and those institutions who could assist both workers or employers—job training programs, vocational schools, colleges and universities, and state human service agencies—aren't connecting with each other. Different agency boundaries, forms, procedures, funding, and institutional responsibilities make it quite confusing for both workers and employers to know how to get the help they need.

This sort of connection can be developed, as many communities in Missouri are demonstrating. For example, manufacturing firms in Lebanon don't have a community college to help train their workers, so they banded together in a consortia arrangement and are working with the area vocational school to design courses and provide training on-site for workers.

Or in Springfield the school system, area businesses and a supportive community have developed a long-range strategic plan to "guarantee all community members the skills and knowledge necessary for their fullest participation in our changing society through a totally integrated, school and community based, outcomes drive, no-fail educational program to meet the individual needs of each student." A similar planning process is underway between local companies, the school system, and human service agencies in Hannibal. And across the Missouri Farm Belt the University of Missouri Extension Service and four state education and social service agencies are working together to form local human investment councils to identify key human service needs and cut through bureaucratic red tape to meet those needs.

These are the kind of initiatives that must be developed and supported by state and community leadership if Missouri is to make its current workforce preparation system meet the skill needs of tomorrow. Education, job training, vocational schools, community colleges, universities, and second chance systems like the Job Training and Partnership Act (JTPA), and welfare-to-work programs, together spend over \$2 billion state tax dollars annually, and close to \$5 billion dollars from all sources of funds. These workforce preparation programs have disparate goals and ways of measuring performance, serve a variety of target populations, and are very different in terms of reach and effectiveness.

Examining these human investments reveals some neglected pieces in Missouri's workforce preparation system. The graph in Figure Four shows recent year total spending and the states' share of spending for:

- the whole state budget;
- a subset of the state budget that represents the total level of 'human investment'—that is, all 'people' programs—including welfare, education, corrections, etc.;
- the subset of human investment that goes to education and training (E&T)—K-12 and other public schools, universities, job training, etc.; and
- the subset within education and training that goes to direct job preparation through job training and vocational programs.

Buried within these aggregate spending figures are some interesting facts:

- Close to 70 percent of all state human investment funds go for K-12 education and higher education. Putting aside these funds, we are left with relatively small state investments that go for direct vocational education and training for young people and adults

Missouri's Human Investments

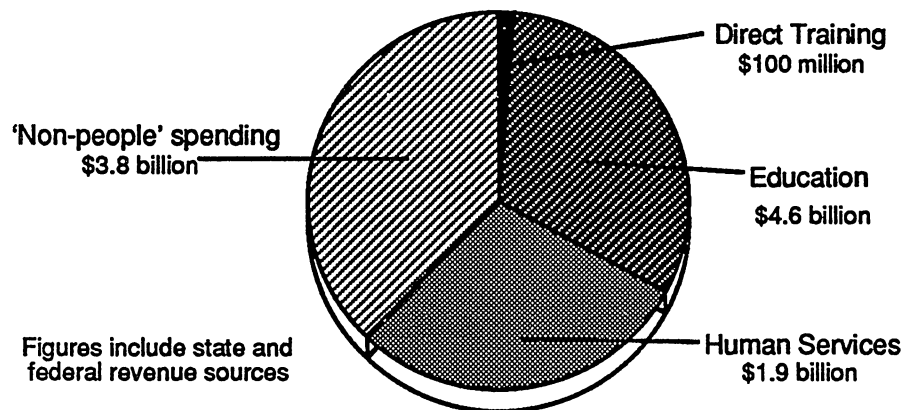


Figure Four

(less than 2 percent of the total human investment programs). If we remove K-12 education and higher education expenditures from the total of education and training spending (E&T), only \$90 million is spent each year for Missouri's direct workforce training programs—an average of only \$30 per worker for Missouri's workforce of almost three million people.

- We spend millions to prepare young people for higher education, but very little to prepare the 50 percent who are headed straight from school to work. While we would like to see more than 50 percent of young people go to college, far less than half of our K-12 resources are geared to helping those students who aren't going to college prepare directly for the workforce, and for a life of continuing learning as adults.
- We are making growing and needed investments in preparing children for school, but we largely abandon workers once they reach the workforce—except for very modest 'second-chance' programs that suffer from their own stigma of being 'just for poor people'.

Programs like Parents as Teachers works in part because it works for everybody—rich and poor. Why should our workforce training efforts be any different?

In sum, direct workforce training programs operate only at the barest margins beyond the resources flowing through the traditional K-12 and higher education systems. Given the demographic realities discussed above—Missouri needs a system not just to prepare people for work, but continually to prepare people who are working.

Making the Match: The Job of State and Community Leaders

There are potentially many ways to get more 'bang for the buck' in the current workforce preparation system. Undoubtedly, community colleges, vocational and technical schools, and universities are in the business of workforce preparation, and a considerable portion of their resources are devoted to training that is directly linked to the skill needs of firms and workers. But our employer survey clearly showed that when firms do train they overwhelmingly prefer private training providers such as trade associations, consultants, and equipment vendors. And they consistently give public institutions and programs lower performance grades than private ones. While many community colleges, vocational schools and universities are working in entrepreneurial fashion to meet the needs of Missouri's firms and workers, clearly these institutions must change before they are viewed as indispensable and credible worker training providers.

It is very difficult to determine how well these institutions and their resources serve immediate workforce preparation needs, and how effective their efforts are. Two-thirds of students at public community colleges, and one-third at public universities are 'part-time'. All told, 44 percent of enrollees at public institutions of higher education in Missouri are part-time students. In theory, these students are either taking classes to complement or better prepare for current or future work, or engaging directly in job-related training. Only an institution-by-institution analysis could really tell us what these students are doing, whether they are getting and keeping good jobs, and whether their education is providing skills needed to advance in their current job, or to get a better job. Currently, 'enrollments' are the only statewide measures we have for academic performance.

This is where many will say 'stop the presses—certainly most private sector training is the responsibility of the private sector.' As we have seen, the commitment by firms to training is less than it should be, and the resources spent on education and training by the public sector still far exceeds private sector training investment. Nationally firms spend \$30 billion annually on training. Nationally, governments spend \$300 billion annually on schools, colleges and universities. Surely some of these resources can be better directed to meet firm and worker specific needs.

In fact, it is becoming clear that there is a strong role for the state to play in eliciting and leveraging new training investment on the part of firms. A forthcoming study of state financed workplace-based training programs by Peter Creticos and Robert Sheets discusses the ways in which state training incentives and funding contribute to a companies' willingness to change their behavior. Their conclusions include:

- *(State) grants and incentives are often the impetus to provide training because they overcome management's apprehension of retraining. Public grants reduce the cost of training and lead employers to make additional worker investments.*
- *Company executives are not accustomed to using training as an element in strategic planning. Job training programs can have a 'catalyst' role by prompting employers to use training as part of their strategic planning and even to establish permanent training systems within their companies.*
- *State training grants and incentives expand the scope of training, speed up implementation, and increase the number of participating workers. Firms then offer more basic and vocational training, to make the most of any technological or process improvement.*

Tremendous potential exists for better connections between public institutions and the needs of employers, as more companies seek to realize greater efficiencies and productivity through a better skilled workforce. A growing market exists among companies who are looking for help in upgrading the skills of the workforce, and are willing to pay for it. One example is Metropolitan Community College of St. Louis' 'workplace literacy' projects that are delivering custom-tailored programs, paid for by clients as diverse as the Monsanto Corporation, the East St. Louis Housing Authority, and the Jewish Hospital.

Other community colleges, vocational and technical schools and universities are pursuing this market as companies become increasingly quality conscious and look to transform less challenging jobs into occupations that require more responsibility, bookkeeping, computer and other skills. Tremendous potential exists for future growth and better connections between public institutions and the needs of employers, as more companies seek to realize greater efficiencies and productivity through a better skilled workforce.

Practitioners report there is a learning curve for firms that are beginning this productivity improvement effort. While a company may first tentatively engage in a one-time only, job-specific training program for a particular group of workers, the benefits that accrue to the firm in terms of increased productivity and employee morale usually bring them back for more. which is determined, of course, by delivery of 'quality' training in the first place, and getting the commitment from top management to invest for the future.

And the dearth of school-age students is also fueling the market outreach to firms on the part of Missouri's educational institutions, many of which are forced to seek new sources of revenue and students. This competition is forcing education institutions to deliver better quality programs tailored to business and student needs. Potential inefficiencies may result if no communication or coordination occurs between public providers of education services seeking to meet employer training needs.

In sum, the 'system' for preparing a world-class workforce is out there. It needs the vigorous efforts of state and community leadership to organize and focus it on the key workforce preparation challenges Missouri faces.

Meeting the Missouri Challenge

We *can* build better jobs by building higher skills, if we work together. To move ahead we must have clear objectives. Jobs for Missouri's Future suggests the following as the major objectives for our workforce preparation system.

Objective 1: Missouri Must Expand the Constituency for Lifelong Skill Enhancement.

The State of Missouri can take a leadership position in nurturing the growth of the New Missouri Economy—a state that depends on the skills and opportunities of Missouri workers, managers and entrepreneurs in every community and in every company. Yet many Missourians aren't convinced that dramatically improved education opportunities and performance are key to continued economic growth. And many companies aren't making the move to high performance work organizations that depend on and reward high skills.

Particular challenges exist in improving the skills of the workforce who have escaped, fallen out of, or long ago left the confines of traditional K-12 and higher education. Many communities and many companies maintain attitudes that developed in a different economic environment. Missouri must build on its existing economic base and help it make a smooth transition into the global economy of the 21st Century. This effort means encouraging the adoption and transfer of new technologies, supporting higher-skilled, higher value-added activities of firms, and establishing and leveraging the resources necessary for the workforce to develop new competitive skills.

For this objective, JMF suggests taking specific action to (a) increase the awareness by all Missourians of the need to commit to a lifelong learning process—that the educational demands of the New Missouri Economy are very real and demand action by each individual; and (b) invest in a new system of work-related education, directed at high school-aged young people, that develops highly skilled and flexible workers for the jobs that are most in demand.

Objective 2: Missouri Must Close the Emerging Skill Gap.

High quality workers are a top priority among Missouri firms, and 'new' basic skills are becoming more important to companies that are implementing competitive strategies and adopting new ways of organizing work. Missouri can't afford to slow down the growth of home-grown competitive firms. Small and medium-sized employers, particularly in manufacturing sectors, face greater obstacles to recruiting and training skilled workers.

In addition to complex skill needs, basic literacy problems are emerging as the work environment changes. The public institutions that serve Missouri's workforce needs are not performing optimally, or too often aren't looked to as a resource by Missouri employers. The current delivery systems for workforce *preparation*, and workforce *retraining* operate as two different systems and must be integrated. These factors, coupled with growing difficulties in finding new, young, highly skilled workers, require Missouri firms and public institutions to expand their investments in training and upgrading today's workforce.

Objective 3: Missouri Must Create a Market-Driven Workforce Preparation System.

The 'system' of public education and training support is confusing and appears confusing to both practitioners and clients. Many companies don't know where to turn for help and/or are put-off by

the competing, uncoordinated claims on their time and attention by different state programs and paperwork. Missouri can achieve workforce excellence by supporting the ability of 'customers' (individuals and employers) to access appropriate education and training resources. Missouri's economic base, workforce skills, and the availability of workforce preparation resources (including education, training, and human services) vary from one sub-state region and labor market to another. The prospects for generating quality economic growth and the distribution of resources that are available to support growth differ by region.

Persons who use the training services, including both individuals and firms, must have full and complete information about skill needs, the availability of education, training, or retraining resources, service costs, and the utility of training outcomes. Training institutions and programs must gear their efforts to serve the local marketplace of individuals and firms. The State of Missouri can take a leadership position in establishing a market for education and training—organized as a functional, decentralized and coordinated system—and promoting its full use. In this way, the State fully integrates workforce preparation as an essential component of its economic development strategy.

Objective 4: Missouri Must Develop a 'High Performance' Economy.

There are limits to what the public sector within the state can do to change the behavior of private sector employers. That may be one reason why traditional economic development focuses so much on recruiting firms to move into a state from some other location—that is one of the few ways a state can actually shape its own economy.

However, JMF believes that Missouri must focus more of its economic development efforts on encouraging more Missouri firms to adopt a high performance style. Missouri firms have been slow to adopt existing production technologies and to experiment with new ways of organizing work that could provide greater productivity. Very few firms are yet ready for the inevitable labor shortages that lurk within the next five to eight years—and the implications for finding skilled workers when there are fewer people from which to choose.

As a result, both the public and private sectors have an incentive to work together in strategic ways that plan for the future—that can generate greater demand for higher skills and can assure an economy that is driven by innovation and production rather than by low wages.

These are our objectives. In the following section we will outline concrete steps to be taken to meet these objectives. Together we can build better jobs in Missouri, by building better skills.

The Jobs for Missouri's Future Action Plan

The Jobs for Missouri's Future action plan is a set of complementary initiatives to meet the objectives outlined in the Missouri challenge.

First, Missouri's employers must be encouraged to adopt a high performance profile—combining the latest of production technologies with new styles of work organization that demand higher skills on the part of workers.

Second, both the public sector and the private sector must work harder to close the skill gaps that currently exist in the Missouri workforce, and that will only widen as more firms get competitive. Policymakers, educators and corporate managers must pay increased attention to the learning and training needs of individual workers as more is expected of them in firms with a high-productivity profile.

Third, Missouri communities must begin to respond to the challenges of economic transition in new and different ways. Citizens and workers must develop a far greater appreciation for continuous learning and upskilling. A stronger education ethic must emerge—an ethic carried by school children and adult workers alike—that will demand more from leadership in both the public and private arenas.

Finally, and most importantly, a workforce preparation system must be built to prepare all Missouri citizens for a lifetime of learning and re-learning, on and off the job. A system responsive to the needs of students, workers, and employers, and accountable to the taxpayers and firms who support it.

The recommendations identified here follow this new path toward Missouri's future economic security. The action plan calls for all Missourians:

1. To Develop a 'High Performance' Economy:

- challenge business firms and business associations to be more active in promoting the transformation of industry to a more high-performance posture; and
- work to meet the workforce needs of the smaller and medium-sized business firms that are key to economic growth and job creation.

2. To Expand the Constituency for Lifelong Learning and Close the Emerging Skill Gaps Among the Missouri Workforce:

- to communicate the message to all Missourians of the connection between *lifelong* education and economic security;
- to increase state and private sector investments in the *adult* workforce; and
- to develop a better, integrated system of preparing Missouri's *youth* for the world of work, especially those who are not college bound.

3. To Create a Market-Driven Workforce Preparation System:

- to establish clear workforce goals and measures that will let us know what we are getting from our public training investments; and

- to design administrative organizations that make the training system far more responsive to both employer needs and that are 'market-driven' to assure the greatest efficiency in provision of training services.

1. Goal: Develop a 'high performance' economy by expanding private sector involvement in workforce development.

Recommendation: Missouri's private sector must take action to promote wider involvement of firms in workforce preparation and to help move industry on a faster pace toward a high-performance economy. Missouri's private sector must be challenged and engaged more actively in workforce preparation. Employers have the greatest interest in developing and maintaining a skilled workforce. There are a number of actions that businesses can take, in their own self-interest, to move toward the high-performance economy that must characterize Missouri's future. And Missouri's public sector leadership can encourage Missouri businesses to take the following steps:

- **Missouri companies can make better choices about training**—choices that assure greater equity across occupational levels and a better fit between the skill needs of the firm and the purpose of the training investments. The Commission on the Skills of the American Workforce recently estimated that American companies spend an average of about one-half percent of total payroll on training, while the companies located in our chief competitor nations spend about 4 percent of payroll on training. The Commission actually recommended a state-based employer tax that would encourage employers to spend at least one percent of payroll for training. Missouri firms should consider budgeting an optimistic interim goal of 2 percent of payroll for training expenses.
- **Missouri companies can integrate human resource development into their institutional culture and structure** by connecting learning to career development, having performance appraisals include a learning plan for individual development, and rewarding learning and new ideas.
- **Missouri companies can inform employees about changes in the organization that will have skill implications for the workforce.** Communicate to employees directly and *well in advance* anticipated changes in business strategy or products that will change skill requirements; let people know what it will take to succeed in the company over time; let them know which jobs are projected to grow and which are likely to decline.
- **Missouri companies can encourage employees to develop a training ethic.** Provide release time so employees can take training. Identify and address obstacles to training such as the need for child care, tuition assistance, poor basic skills or attitudinal obstacles such as those identified by the JMF worker survey. Provide rewards or incentives to employees who make the extra effort to get ahead through learning.
- **Missouri companies can take the lead in coordinating the provision of literacy training** to those employees who need it.
- **Missouri companies can consider the adequacy of employment policies for women, minorities and older workers.** JMF analysis suggests that access to employer-sponsored training is inequitable across the workforce. The future workforce will have a higher proportion of female and minority workers, and employers will have to take more active steps to assure that these new workers are treated fairly in terms of access to training and education.

Recommendation: Meet the workforce needs of Missouri's small and medium-sized firms that are the key to economic growth and job creation. Missouri must target resources and innovative programs and incentives to the small business sector. Targeting is critical if the state is to be able to generate and support broad-based economic growth around Missouri, and provide adequate employment opportunities for all its citizens.

Why work with small and medium-sized firms? These are the firms that employ most Missouri workers. These are the firms that will build the Missouri of tomorrow. These are the firms that have the greatest difficulty identifying training needs, locating training solutions, providing training opportunities for their workers, funding tuition assistance benefits, and allowing workers time off during work hours for learning. Small and medium-sized firms tend also to employ more women, youths, and less educated workers than their larger counterparts.

Missouri firms, especially the small and medium-sized firms, should look at ways to work together to identify and solve common training problems. Small businesses that are able to capitalize on the agility and responsiveness afforded by their small scale can be highly successful in local and international markets, even against larger competitors. But they must find new ways to overcome the disadvantages of scale when it comes to analyzing markets, adapting to technological change, and in building a more highly skilled workforce.

Recommendation: Evaluate available small business loan programs to ensure that loan proceeds can be used to fund work training costs as well as capital investments. Programs should be structured so that businesses are eligible to receive loans of up to 100 percent of the costs of their training. The initiative, to be successful, must be tied to local economic development programs, and other programs currently in existence for small businesses. In addition, the grant programs currently offered through the Department of Economic Development and the Department of Elementary and Secondary Education's customized training programs, should have a loan component as a part of their program design.

Recommendation: Encourage the development of internal training systems within small businesses by providing matching grants and no cost loans to establish or expand trade associations. The establishment of skill development or *training consortia* among small businesses with similar needs can create economies of scale in responding to those needs. Consortia can significantly extend the learning system of the individual firm—several small firms can learn from the experience of one.

However, small firms are not normally accustomed to working together. And training institutions, both public and private, are not usually organized or funded to help create new forms of collaboration that could promote joint training programs. Very few public educational institutions at any level systematically promote cooperative behavior on behalf of training and workforce development.

The most realistic opportunity would encourage industry associations to begin working actively among their memberships to define workforce preparation issues, identify solutions, and promote action among their membership. These associations would serve as industry clustered training consortia to meet the training needs of small businesses and serve, where appropriate, as deliverers of the training to small businesses. The trade associations should also begin focusing on the task of providing the state with specific skill requirements by industry grouping in order to take the first steps around the credentialing of work skills.

Recommendation: Promote the expanded use of technology by small firms through developing flexible manufacturing networks and shared computer integrated manu-

facturing facilities. Many industries that are key to Missouri's economy are smaller businesses that often lack access to costly technology and skills training that can help them be globally competitive. There are two concepts that could assist in speeding the transfer of new production technologies to small and medium-sized firms: a 'flexible manufacturing network' of firms who collaborate to achieve together what they cannot do alone; and a 'shared computer integrated manufacturing facility' that would make expensive, state-of-the-art technologies available on a time-shared or leased basis to smaller firms who could not otherwise afford the equipment.

- **Manufacturing networks.** A flexible manufacturing network is a group of firms that collaborate to compete effectively. By cooperating in informal networks, groups of independent firms could (a) share costs of research and development, (b) combine capacities to produce new goods and services, (c) aggregate production to serve large markets, (d) reduce costs through joint purchases of materials or management services, (e) acquire expensive technologies (and the training needed to operate them), and (f) increase market share and export-based earnings. Experiments with such networks in America suggest that common training needs and workforce-related investments are excellent issues for business networks to address.
- **Shared Computer Integrated Manufacturing Facility.** Recent advances in robotics, electronics, software, and computer-aided design and engineering have made a new industrial revolution possible—one that permits firms to create highly consumer-specific products for niche markets that don't require long production runs to justify the costs of production. One problem with the 'factory of the future' is that the new technologies are usually beyond the ability of smaller firms in basic industries to afford on their own. There are currently two established operating sites (in Huntington, West Virginia, and in Meadville, Pennsylvania) where a university-based research corporation has acquired state-of-the-art computer integrated manufacturing systems and are leasing access to the equipment to small and medium-sized firms—providing the engineering and technical training to employees in how to use the equipment.

There are two technology centers in Missouri that are experimenting with this concept: The Computer Integrated Manufacturing Center (CIM Center) at Washington University, and the Center for Technology Transfer and Economic Development at the University of Missouri-Rolla. Neither program is fully operational, but the concept needs the strong support of the state.

Recommendation: Use large firms to promote training along supplier networks. In recent years many large firms in Missouri have gone through a process of 'downsizing' and 'outsourcing.' That is, they now rely on independent suppliers for parts, services, and intermediate assemblies that they used to take care of in-house or through vertical integration. Few of the firms that have built these extensive supplier networks have done well at assisting the suppliers with technology adoption, management innovation, or workforce training. A logical action that large firms could take (for the benefit of the Missouri economy, as well) is to provide better support for their suppliers. Large firms, with the best resources and the most experience with corporate training, could do much to meet the training needs of smaller suppliers that usually lack the time and funds to address training.

Each of Missouri's largest 50 companies, on a voluntary basis, should:

- prepare a list of their state-based suppliers;
- identify those suppliers who are dependent on a continuing relationship with the 'mother' firm (e.g., where the firm could have an impact if it chose an active role in as-

sisting with the firm's training, especially if focus is on meeting standards for product quality);

- assess resources the mother firm has that would be useful in training managers or employees of supplier firms; and
- formalize avenues of assistance with interested firms.

2. Goal: Expand the Constituency for Lifelong Learning & Meet the Emerging Skill Gaps Among Missouri Workers

Recommendation: Communicate the message to all Missourians of the connection between education and economic security. The state, businesses, communities, and education and training leaders should pursue a communications campaign to reach all Missourians on the workforce development challenges. Top policy leaders need to speak with a unified voice about the changes in the workplace and what individuals, communities, and private businesses must do to secure continuous employment at an adequate wage. Missourians need to understand how the evolving economy will affect them personally in the next decade.

- Individuals need to understand that the income gap between well-educated and under-educated workers will continue to widen and that, on average, people with the most education and training will receive the greatest financial rewards.
- Communities need to recognize and act on the necessity of building a learning system that secures for all their residents the skills required for good new jobs.
- Private firms need to understand the options available for training and the necessity of investing more across the workforce.

Recommendation: Increase the skills capacity of the existing adult workforce. Missouri must begin a major workplace based education and training initiative by forging a partnership with business to ensure that the current workforce is appropriately educated and skilled to meet the changing and more complex demands of industry. Missouri's workforce is older than the national average, and in a very real sense, Missouri's workers of today *are* the workers for the year 2000. If Missouri is to compete in the next decade it must do so by strengthening the skills of its current workers.

Any initiative must truly be a public/private partnership; both partners must demonstrate their willingness to invest available resources in workforce preparation and work skills development.

In order for a workforce initiative to be successful, Missouri must develop a well-integrated and coordinated workplace education and training initiative aimed at:

- increasing the private sector's investment in the upgrading and retraining of their workforce and changing their behavior to invest in internal training systems;
- increasing the effectiveness of the various public institutions' ability to deliver workplace-based training and education programs by creating competition among local firms and training institutions to make them more market driven and consumer oriented; and
- aggressively linking the training and upgrading of Missouri's current workforce to its economic development goals.

The following are the major components of an initiative to upgrade the skills of the current workforce:

- ***The Job Training Coordinating Council should serve as a statewide workplace education and training panel to establish policy over all of Missouri's public-funded workplace based programs.*** These would include the customized training initiatives, Missouri's dislocated worker programs, and Missouri's literacy programs within the Department of Economic Development and the Department of Elementary and Secondary Education.

Missouri has taken a number of very positive steps to ensure that a well-educated and skilled labor force is available, and a number of their individual programs have been very successful. However, Missouri's programs are not well coordinated. State policy directives from various agencies are not consistent, common funding criteria, common performance standards or common reporting requirements do not exist, and there is no systematic review of performance against standards.

The overriding objective in giving the Council this focus is to increase the invest by businesses in the training of their workforce by providing funding for training projects that will eventually be built into the base operations of each firm. Therefore this initiative must be market driven; firms must be able to choose from a wide array of local vendors, including the option to deliver training on site with their own personnel. Firms need to think carefully and critically about their training needs and how such investments tie into productivity improvement. In addition, it is critical that public institutions experience real market competition, which will result in better programs at the local level. The panel should guide the initiative such that it improves the capacity of public institutions to develop top quality training programs that are responsive to businesses needs. The panel should provide funds directly to firms, where appropriate, with firms making the decision on the training provider.

The panel's responsibility would be to establish state direction and priorities, make basic funding decisions, establish common performance standards for workplace-based training programs and to determine the allocation of funds. In setting state priorities, the panel must tie economic development goals to the workplace training initiative by establishing capital investment requirements, and job creation goals for firms receiving state funding.

Organizationally, the workplace training panel (either the JTCC as a whole or through a standing subcommittee) should:

- have members, and the designation of the chair, appointed by the governor;
 - have authority to review and approve the funding of training proposals and be independent from any specific state agency's jurisdiction.
 - have a majority of positions filled by private sector leaders;
 - be fairly small in size—no more than ten members; and
 - be staffed by individuals who are assigned from the public agencies represented on the panel.
- ***Establish an expanded job development fund that would be used to encourage greater amounts of training by Missouri firms.*** The size of the state's current job development fund is not sufficient to meet the training needs of firms across the state. An increase in the size of the fund could be accomplished through a variety of options:

- An increase in general revenue appropriations, which would distribute the cost of the fund on both companies and workers;
- A 'tax giveback' program that levies a tax on businesses equal to one percent of their annual payroll. If a firm expends, in a given calendar year, one percent or more of its payroll on formal job training, the levy would not be imposed. However, if a firm did not invest at that level, the state would collect the increment from the firm and place it in a general training pool targeted to workplace training. The oversight of this pool of money would rest with the workplace based panel. The smallest firms, those with payrolls below a certain amount, would be exempt. This particular funding alternative has recently been proposed by the Commission on the Skills of the American Workforce. It is the most effective tax incentive to influence employer behavior.
- An unemployment insurance (U.I.) surcharge or 'diversion' equal to one-fourth of one percent of a firm's U.I. costs. That is, the U.I. tax rate would be reduced by one-fourth of one percent and a 'training tax' imposed (or re-imposed) in the same amount. A number of states have initiated this type of an employer tax to finance workplace based education and training initiatives (California, Delaware, Michigan, Massachusetts). A number of states initially instituted a diversion of U.I. taxes, making it revenue neutral to businesses, for at least the first year. In subsequent years, the automatic U.I. tax rates were triggered, regardless of the diversion.

Although the U.I. diversion is an effective way of obtaining more funds for workplace based initiatives, it will not alter firm behavior as significantly as the 'tax giveback' program. It will, however, capture businesses interest in the program since they are directly paying for the program, and therefore they are likely to become more involved in the decisionmaking process.

If a U.I. diversion is pursued, Missouri should impose a very strict solvency standard on the U.I. trust fund to ensure the solvency of the fund.

- ***Provide corporations with a credit on their annual state income tax liability for qualified training investments.*** The tax credit must encourage business investment in work skills upgrading and retraining.

There has been a tremendous amount of debate regarding the effectiveness of tax credits in influencing the behavior of firms. In proposing any form of tax policy, it is important that the policies do not result in creating a competitive disadvantage for Missouri businesses, but instead serve as an incentive for businesses to invest in their labor force. A number of states have successfully implemented tax credit programs, including Mississippi, Illinois, and Iowa, aimed at either the employer or the employee.

JMF recommends that Missouri develop a tax credit program aimed at small and medium sized businesses, and targeted towards training for line workers and middle management—workers that typically receive little if any training attention from employers. The proposed workplace education and training panel would assist on the targeting policy and assessing the incentive value of the credit.

- ***Develop a statewide technical assistance capacity to promote productivity improvement programs.*** A business development center within the Department of Economic Development, or as part of the workplace education panel, should give a top priority to productivity improvement programs, including assisting businesses to develop appropriate training plans, advising businesses on how to integrate technological changes into their production processes (technology audits), advising firms on the establishment of

quality control programs, and assisting businesses in general on the availability of all business training services in Missouri.

JMF recommends that the center be staffed by business personnel (combination of people on loan from businesses and individuals with extensive business experience), and the staff should be organized around industry clusters, not regional lines. Missouri may want to experiment with a corporate income tax credit for the value of executive time that is made available to serve the center's needs.

As part of a technical assistance effort, a new program should be implemented that funds large businesses, which already have comprehensive internal training systems, to develop 'Train the Trainer' sessions for small and medium size businesses. This initiative could be funded out of the economic development fund.

A 'productivity institute', recently created by statute and housed in the Department of Economic Development, could serve this purpose. However, no funds have been appropriated to implement the concept.

- ***Refocus Missouri's 'second chance' training systems to be more responsive to the workplace needs of businesses.*** Much needs to be done to encourage long-term followup of job placements from key training programs.

Missouri needs to direct more of its efforts with programs, such as the administration of the JTPA system, to provide more formal training at the workplace. An initiative should be launched that provides follow up with individuals placed in entry level jobs. Through a joint agreement with the employer, a Training Action Plan should be implemented, defining an individual's long term career plan within that company. This will require, for example, that JTPA counselors work closely with personnel in the firm and develop solid programs with community colleges and other training institutions, to prepare for entrance into more advanced training.

- ***Build a regional capacity for workforce skill training.*** Missouri should create regional committees to foster workforce improvement and advise local training deliverers regarding the skill requirement and training needs of local businesses. Missouri must build a regional capacity to grapple with the many regional issues influencing workforce skills training and upgrading. Although many issues facing businesses are industry specific, a great many regional factors influence the types and quality of training offered, the kinds of business assistance programs available, and the types of businesses located in a particular region.

The creation of regional committees to work with local businesses and provide a forum for discussion for businesses and training deliverers will result in a more cohesive regional approach toward workplace based training, and a more cohesive regional economic development strategy. Given the current Missouri landscape, these local groups would be strictly advisory in nature. The committees could be constructed as part of Missouri's Private Industry Council system, or they could be state-established committees as part of an amended Missouri Job Training Coordinating Council. Regardless, their mission should be much more focused than that of a private industry council, and their composition should be mostly private industry representatives (at least 75 percent).

- ***Implement a series of employer-based regional training coordinators.*** In order to insure that programs are locally responsive, regional clusters of firms should fund their own training coordinator who would be responsible for working with firms, on an individual

firm basis, or on an industry cluster basis, to determine broad occupational training needs, and to assist firms in formulating training plans that will lead to increased firm productivity. In addition, the training coordinators should be linked into the state's business development program and should be heavily involved in the creation and expansion of trade associations and with the local committees.

Recommendation: Develop an integrated work-related learning system for young adults—through a Missouri Youth Initiative. The United States is the only major industrialized nation that lacks a formal system for helping young people make the transition from school to work. In our view, the absence of such a system is a major contributing cause of the crisis of workforce preparation in the nation, and in every state, that threatens our ability to compete successfully in the global economy.

There are several reasons why JMF sees a youth initiative as an essential component to Missouri's workforce preparation system:

- Between 60 percent and 70 percent of surveyed firms in Missouri reported difficulty finding technical help and skilled craftspeople. A Youth Initiative could contribute significantly to bridging these gaps.
- Youths who do not go on directly to college (more than half of all youths in Missouri), face barriers to identifying and gaining access to jobs with career potential. A Youth Initiative could directly address the needs of many non-college bound youths.
- A learning initiative that is work-based would encourage many Missouri youths to complete high school and continue future learning possibilities on the job. Not only would the students be earning wages on a full-time basis, but the things that they learn in school would be directly related to the tasks they are asked to perform on the job. The 'relevance' of school would be clear.
- By facilitating the transition between school and work, both employers and the state's economy can benefit from greater productivity and job retention among high school graduates.
- The initiative will be, in part, an employer-based system for producing skilled workers.

Jobs for Missouri's Future recommends that Missouri establish a Missouri Youth Initiative—a statewide, community-based system that formally links school with work in a way that would change the way young Missourians think about preparing for careers. The center-point of the youth initiative is highly-structured program of on-the-job training supplemented by part-time attendance at a school-based or academic learning center. The three-year to five-year program would:

- take the students out of their high school and place them into a work setting;
- provide a combination of on-the-job training and formal classroom instruction;
- provide academic instruction at a learning center that is closely coordinated with the hands-on instruction at the workplace—with very clear integration of work and learning and a heavy emphasis on acquiring thinking, planning, problem-solving, and teamwork skills as well as the highest of technical proficiencies;
- provide young people with broad-based skills for jobs that have a future by developing curricula and making job assignments that will generate cross-functional, flexible skills;

- graduate as 'products' students who are the best trained skilled workers available anywhere, complete with two years worth of transferable postsecondary credits.

Key to the Initiative's success is the participation of not only at-risk youths but high achievers. Jobs for Missouri's Future recommends that the Missouri's public and private sector leadership together launch the Initiative to enhance its visibility and credibility. With a combination of top state public and private support, a new emphasis on learning goals, and a formal relationship between the education system and the labor market, the Initiative would be a truly systemic solution to the issue of workforce preparation.

3. Goal: Create A Market-Driven Workforce Preparation System

To most efficiently and effectively assist the private sector and Missouri's workers in developing the skills of tomorrow, Missouri needs a public workforce preparation system that is truly accountable. A system in which we know what we are getting for our taxpayer dollars, and that we can feel confident is meeting the real needs of firms and workers in the changing economy.

Recommendation: Create a Performance-based Workforce Preparation System.

Establishing a performance-based workforce preparation system means creating a measuring rod that is useful in judging the outcomes of publicly-funded education and training programs. The main point is that *some* common goal should be served by *all* workforce preparation programs. The goal should represent the most important tasks Missouri wants its workforce investments to accomplish. Once this goal is defined, efforts to reach it must be measured. Agency and program operational strategies are still left to the discretion of agencies and institutions within the system, but operators would be required to show *performance* of their agencies and programs in meeting the common objective.

For example, a combination of basic reading and writing skills may be desired outcomes of all workforce preparation programs. These skills could be defined, measured, and their attainment reported as part of the performance of all workforce preparation programs throughout the system. Or alternatively, an outcome goal and accompanying measure could be developed for equity, earnings, placement, productivity, or continuation to higher education.

With a common definition of performance and a way to measure that performance, the workforce preparation system would begin to appear more accountable and integrated to its true customers—employers, workers, and students.

Why a Performance System is needed. JMF's work reveals a number of major challenges for Missouri's workforce preparation system:

- Employers are generally dissatisfied with the job skills of *new entrants* into the labor market. High school diplomas are an inexact proxy for work skills and work ethic, and advanced degrees don't guarantee that the student has full capabilities in key skill areas. The current products of the vocational education system, state job training programs, and higher education get mixed reviews from employers.
- Employers identify significant skill deficiencies among their *current workforce*. The skills most in demand are higher order skills—better oral and written communication, problem-solving, teamwork, self-management, and computer literacy. In addition, individuals with training in key technical trades and occupations are in short supply.
- Employers do not look primarily to public workforce preparation institutions for assistance when providing training. For the largest segment of 'learners' in the state's economy—adults who are at the workplace and no longer associated with the public education system—skill improvement relies on the private sector. To increase the

amount of training that private firms provide, the State of Missouri must provide incentives that will lead to a net increase in total human capital investment. *But part of making public funds available to leverage training investments must include knowing the effectiveness of those funds.*

- Public workforce preparation programs are many in number, scattered among a variety of institutions, and disjointed in terms of missions and the various skills they succeed in imparting to students. Without a common way to measure their success, there is little clear and immediate accountability. Typically, the only measures we have now are enrollments, dollars per student or trainee, and other *process* measures. What's lacking are indicators of *performance*, indicators that could *drive the system towards a common goal*.

Missouri should use its Job Training Coordinating Council to spearhead the effort to define essential skills that all workers need in order to function well on the job. The performance of each user of public sector training or learning funds will be measured on the institution's ability to develop essential skills. Continued eligibility for public program funding would hinge on having a history of successful performance.

A performance measure for workforce preparation will meet these major challenges head-on:

- It will clearly communicate that graduates of publicly-supported workforce preparation programs from high school to customized training have achieved some **definable measure of success**, and provide a common way of assessing their achievements.
- It will tell employers and potential students **which of the many different workforce preparation programs actually deliver on their promises**. It will, over time, reveal the success or failures of individual institutions as well as programs. This creates, for the first time, a market-driven, customer responsive system.
- It will push a **diverse group of public institutions and programs towards a common goal** and develop a means for achieving that goal. In so doing, it coordinates without relying on coordination, and fosters innovation and flexibility in policy and practice.

There are two other important reasons for Missouri to develop a performance-based system. Last year, President Bush and the nation's governors set six broad goals for education. Missouri can be the first state to fully link its education goals to its workforce preparation efforts. By defining a clear measurable objective for workforce preparation, which includes traditional education and training programs, Missouri will not only be on its way to meeting the agreed mandate of the governors and the President, but can begin the work of making that goal a reality through the strategies and practices of the state's workforce training programs.

Second, Missouri must move now, so it can define its own strategy for workforce improvement. New federal legislation in adult education, the Carl Perkins Act, and the JOBS program will all require the establishment of performance measures, each to take effect at different times over the next three years. As is currently the case with JTPA, governors will retain some flexibility in defining these performance measures. It is to Missouri's advantage to anticipate these changes, define *its own* performance measures, and implement a clear strategy of performance-based workforce preparation rather than let its 'strategy' be patched together in response to federal guidelines.

It is important that Missouri's performance measure be developed to accurately reflect the needs of Missouri's workforce and employers. If the chief goal is to improve the job-related skill levels of all students and workers, as JMF's research suggests, then the performance mea-

sure should embody that goal. Missouri must thoughtfully develop its own performance measure based on a consensus about its chief goals in workforce preparation.

The Missouri Job Training Coordinating Council should have the responsibility of recommending a performance measure or set of measures for the whole workforce preparation system. The Council would be given one year to develop a performance measure or set of measures for the state's workforce preparation system. Annually thereafter, state workforce preparation agencies and programs are required to report to the governor and Missouri legislature on their programs in terms of the performance measures. Administrative and legislative budget decisions would be made in light of this information.

Who's affected, and how a performance system might work in Missouri. A performance standard should eventually be applied to all pieces of the workforce preparation system, and can be integrated into the current practice and programs of existing agencies and institutions.

- **K-12 education:** The Missouri Mastery Achievement Tests already test for key skills mastery in grades 2 through 10. The Key Skill Clusters include Science, Mathematics, Language Arts/Reading English, Mathematics, Social Studies/Civics. New 'basic skills' performance measures could be incorporated into this teaching and testing format, and ideally extended to a graduation requirement demonstrating a level of mastery in critical thinking, problem solving, organization of information, etc.
- **Vocational education:** A set of new basics skills performance measures could help focus the performance orientation being developed by the Department. The State Board of Education has made a priority of developing and validating occupational duties and a competency-based curricula for vocational programs statewide, but has not succeeded in fully implementing such a system yet. A set of demonstrable competencies in new basic skills could offer a uniform outline for these competencies, and drive the development of curricula and articulation locally. In addition, the current performance funding formula for secondary vocational education, which weights placements, enrollments, and response to labor market needs, could be modified to include success in developing competencies in 'new basics skills.'

A recent report of the State Board of Education, *Missourians Prepared—Success for Every Student*, calls for the creation of performance measures.

- **Higher Education:** Working with the State Coordinating Board for Higher Education, Missouri institutions of higher education are required to develop institution-specific, 'performance indicators'. These indicators could be developed to include students achieving minimal competency in new basic skills. Performance in meeting 'new basics' could be made a condition of degree granting, and/or a prerequisite for moving into higher level coursework.
- **Customized Training for Business:** A diverse array of Missouri programs and institutions, including community colleges, vocational schools, and universities, contract with employers for specific training programs. While maintaining flexibility to meet particular employer needs is vital, a standard for measuring performance of these services is important for employers to be able to judge various service providers. A package of 'new basics' (particularly as it would be developed in large part by the private sector) may make an attractive marketing tool for public institutions in their recruitment of private sector clients. An assessment of 'new basics' competency, before and after any customized training program, would provide a useful prod to incorporate such a curriculum into all training programs. The most effective way of implementing this would be to encourage employers to specify performance in provision of 'new basic skills' as part a performance contract with the provider.

- **JTPA:** The JTPA system is currently geared to fund a variety of service providers who help eligible clients achieve job placement. The 'placement' performance indicator could be complemented by requiring training contractors to provide clients with demonstrable competency in 'new basic skills.' This could work to encourage continuing support, education and training after placement, often a key ingredient in an individual's ability to remain in job.
- **Missouri Futures:** As part of the new federally-mandated JOBS program, performance in educating, training, and placing welfare recipients in jobs will be assessed. Missouri should define its performance measures to include 'new basic skills' provision, and require agencies and providers delivering services to show that an individual has achieved a demonstrable competency.
- **Corrections:** The corrections system currently offers vocational programs and other rehabilitation programs for offenders. These vocational programs should incorporate the 'new basic skills' in their design, and report on performance in achieving demonstrable competency. More dramatically, sentencing and parole decisions would be predicated on demonstrating 'new basic skills' competency.

Recommendation: Establish an administrative organization that assures the training system is market-driven and more responsive to employer needs. One of Missouri's overall objectives should be to create a well integrated and coordinated training and work related education system that is responsive to businesses' training and employment needs. There are a number of very general system wide changes that JMF is proposing Missouri implement to achieve the goals of workforce excellence.

To accomplish workforce excellence, a central forum must be developed to establish and coordinate overall state training and employment policy, to establish common performance standards and reporting requirements among the state agencies, to review of labor market trends in Missouri, and to review overall program performance in order to provide advice and direction to state administrators responsible for program administration.

In addition to establishing a well coordinated state policy and performance driven system, it is necessary to develop an automated communications network at the local level that provides the consumer with maximum information and easy access to any of the available training and support service resources in their community. In order to have an effective local training and employment system the various state and local agencies need to be able to provide comprehensive case management services; customers must be able to easily move from one training or support service to another without having to be subjected to more than one lengthy bureaucratic intake and assessment process. Counselors from various agencies must be able to case manage an individual and provide them with a continuum of services, and the potential for life long learning, without a great deal of bureaucratic red tape.

The following steps should be taken to create a public administrative capacity most conducive to delivering, timely, market-sensitive workforce training assistance:

- **Recast the Missouri Job Training Coordinating Council as a 'human resource investment board'.** The Council should oversee Missouri's job training, work related education, and employment system—to establish state policy, develop common performance standards, common reporting requirements among the various programs, and conduct comprehensive program reviews. The Council would serve as a state forum to discuss and formulate overall training and employment policy.

Jurisdiction should include all programs funded under Wagner-Peyser, JTPA, the welfare to work initiative (Missouri Futures), and all work related education programs, includ-

ing the customized training initiatives, under the auspices of the Department of Elementary and Secondary Education and DED.

- ***Create a unified system for case management at the local level for job training and referral.*** The following initiatives would bring us closer to achieving a unified client delivery and management system:
 - Establish common geographic boundaries, common planning cycles, and an integrated planning process among all state agencies involved in the delivery of training, education, and employment services. Currently, common geographic boundaries do not exist among the state agencies. Without common boundaries, it is extremely difficult for managers to coordinate services, and therefore any kind of meaningful coordination is difficult to achieve.
 - Initiate a major customer training program for all line staff serving the public, including the employment service staff, JTPA staff, JOBS staff, and the appropriate vocational education and community college staff. This type of training is necessary to re-orient government employees that their mission is to serve their customers; just getting them to think in terms of 'customers' will be a major change.
 - Develop a computer network linking the employment service, community colleges, vocational-technical schools, JTPA agencies and other training providers. This computer system should provide for each service delivery area (a) comprehensive information on all education and training opportunities available in a particular area (costs, duration, occupation, potential earnings), and (b) comprehensive job vacancy information (occupation, starting salary, benefits). This system must be very user friendly; it is meant for the customer (the resident seeking service) to be able to use very easily. In addition, a comprehensive, computerized intake, assessment, and referral system should be developed for human service agencies, training agencies, and job placement organizations to use to provide case management services.
 - Develop a common intake process for the unemployment insurance system, for the employment service, and for JTPA. Many of the federal reporting requirements for all three are very similar. One computerized intake form will go a long way to creating a good case management system; it will allow an individual to move among these systems easily, by having to complete only one application.
 - Create a system where there is one organization within a community where an individual to go to receive a comprehensive assessment of their aptitudes and skill levels. This information should be used to make adequate referrals to the appropriate education or training service, or it may just be that the individual wanted a current assessment of their skills to do some future lifelong learning. JFF recommends that either the employment service, community colleges, or vocational technical schools develop this capacity; the service should be available to all residents. It appears that vocational technical schools have started to develop this capacity in Missouri.

Conclusion

The Jobs for Missouri's Future program began almost two years ago with five basic premises: first, that workforce skills were fast becoming the single most critical factor in a state's economic development; second, that Missouri's economy was being affected by global and technical changes that demand more skills from all citizens; third, that meeting the workforce needs both today and tomorrow will require an unprecedented degree of collaboration between business, government, education, labor, and community leaders; fourth, within the governmental sector, long-term action would be required at both the state and local levels; and fifth, that policy solutions ought to account for the values held by citizens and workers in their home communities.

Every piece of research and each discussion with Missourians across the state confirmed those assumptions. The policy recommendations presented in this report are the kinds of initiatives that must be developed and supported by state and community leadership if Missouri is to make its current workforce preparation system meet the skill needs of the new economy.

Missouri must extend and accelerate these innovations and initiatives—identifying, then supporting the top priorities in workforce preparation at both the state and local levels.

Missouri *can* build better jobs by building higher skills, if we work together. None of us can hide from the global economic realities that are creating such tremendous change in the lives of Missouri businesses and families across the state. The challenge is for each citizen to join in this important effort.

Appendix

Jobs for Missouri's Future Contributors

The State of Missouri

Department of Economic Development

Department of Labor and Industrial Relations

Division of Employment Security

Division of Job Development and Training

Missouri Businesses

A.G. Edwards & Sons., Inc.

Anheuser-Busch Companies, Inc.

Boatman's Bancshares

Emerson Charitable Trust

General American Charitable Foundation

Laclede Gas Company

Mallinckrodt, Inc.

Maritz, Inc.

Mercantile Bank

MFA Incorporated

Monsanto Company

Pet Incorporated

Southwestern Bell Foundation

Union Electric

Wetterau Incorporated

The United States Department of Labor

